ECONOMIC INDICATORS

MAY - JUNE 2002

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

While California's recovery is lagging behind the nation's, it is showing definite signs of improvement. The employment picture, although characterized by minimal job gains, is improved over late-2001. Consumer spending and demand for homes are still the strongest features of the state's economy.

EMPLOYMENT

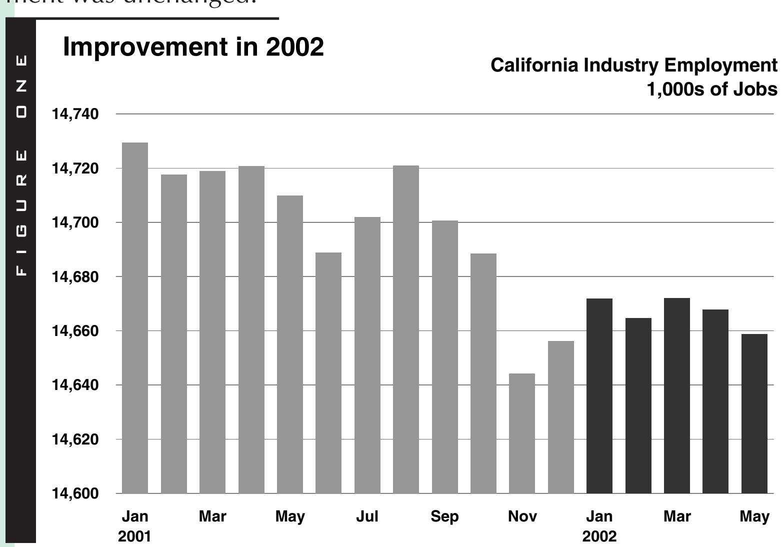
Despite losing 9,000 industry jobs in May, California has created 500 nonfarm jobs, on average, each month this year—a total of 2,500. In 2001, the state lost 2,200 jobs each month, on average.

Employment Improves in 2002

In May, services and government were the only two major industry divisions that gained jobs. Government employment gains (2,400) were made chiefly at the local level, with public schools accounting for nearly half. The state's service industries reversed losses suffered in April by adding 7,200 jobs. Business services, which includes temporary service and computer programming firms, followed a 200-job gain in April with 1,800 new jobs in May. April's growth was the first for this sector since it started to slide in October 2000. Elsewhere in services, private educational firms added 2,100 jobs. Motion pictures, on the other hand, lost 2,800 jobs, reflecting reduced local production activity.

Construction Losses Accelerate

Weak building activity (see below) made the construction industry the leading job loser in May—dropping 9,600 jobs. This is the building industry's third consecutive month-over-month loss. Manufacturing followed with the loss of 5,000 jobs, three-quarters of which were in high technology fields. On the bright side, however, May's high technology job losses were the smallest since February 2001 when the current slowdown began. Among the other losers, wholesale and retail trade dropped 1,800 jobs and finance industries shed 1,200 jobs. The only manufacturing sectors that gained jobs in May were lumber and wood products, and apparel and textiles. Mining employment was unchanged.



Looking at year-over-year performance, industry employment in California was down 51,000 in May. Falling high technology manufacturing led the manufacturing sector to shed 95,000 jobs over the year—the most of any major industry group. Transportation and public utilities lost almost 34,000 jobs, over half of them coming from air transportation. Construction lost 16,400 jobs. Services lost nearly 8,300 jobs, again led by losses in business services and motion pictures.

FIGURE TWO

The Bay Area Suffers

Nonfarm Employment Growth
May 2001 - May 2002

MSA	Jobs	Percent Change
Southern California		
Los Angeles	-28,400	-0.7%
Orange	8,500	0.6%
Riverside	33,100	3.2%
San Diego	24,300	2.0%
Ventura	100	0.0%
San Francisco Bay Area		
San Francisco	-31,500	-2.9%
San Jose	-54,600	-5.3%
Oakland	-2,700	-0.3%
Santa Rosa	-1,400	-0.7%
Sacramento/Central Valley		
Sacramento	3,300	0.5%
Stockton	4,000	2.1%
Bakersfield	3,800	1.9%
Fresno	3,700	1.2%
Modesto	3,700	2.5%

Schools Lead Job Growth

For the 12th month in a row, government was the year-over-year job growth leader. Since May 2001, the public sector has added nearly 71,000 jobs, the vast majority of which were in local public schools. Wholesale and retail trade followed a distant second by adding 27,200 jobs. The finance industry was the only other major sector to expand employment over the year, posting a 5,300 gain.

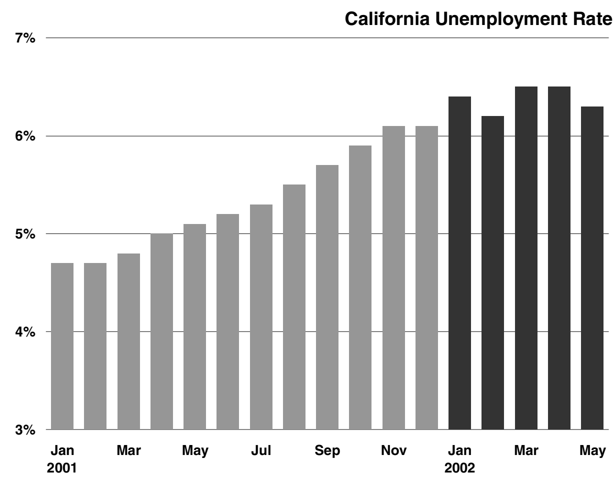
The San Francisco Bay Area continues to suffer the most from the current slowdown. Over the past year, industry employment in the San Francisco, San Jose, Oakland, and Santa Rosa metropolitan areas has fallen by over 90,000—a 2.7 percent drop. Santa Clara County's (the Silicon Valley's) unemployment rate measured 7.1 percent in May. It was 3.4 percent in May 2001. On the other hand, the Riverside metropolitan area (the Inland Empire) is the state's fastest growing region. It added 33,000 jobs over the year, for a 3.2 percent growth rate. Coincidentally, employment in the neighboring Los Angeles metropolitan area fell by 28,400 over the year.

Unemployment Rates Stabilize

California's unemployment rate dropped to 6.3 percent in May from a revised 6.5 percent in April. It is still up, however, from May 2001's 5.1 percent rate. The improved rate resulted from a decline in the civilian labor force of 83,600 and a reduction in unemployment of 57,000 persons. The number of jobholders fell by nearly 27,000. Despite month-to-month fluctuations, the state's unemployment rate has stabilized within a 6.2 to 6.5 percent band—averaging 6.4 percent for the first five months of 2002. This is a contrast from the steady ascent that took place throughout 2001.

FIGURE THREE

Has the Unemployment Rate Peaked?

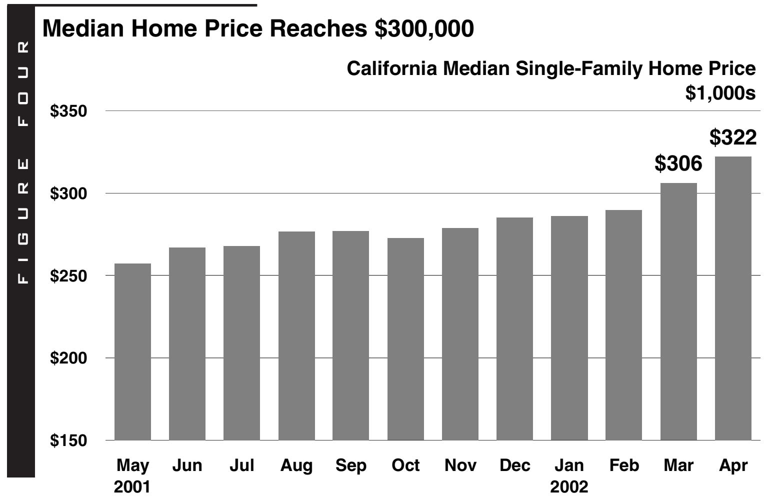


BUILDING ACTIVITY

Since February's unusually strong performance, construction activity has moderated and has not kept pace with last year. Residential construction, as measured by permitted units, reached a seasonally adjusted, annual rate of 186,000 units in February but averaged only 158,400 units during March and April. Overall, residential construction during the first 4 months of 2002 is 1.1 percent below the comparable period of 2001. Single-family construction has held steady while the multi-family sector has slowed by nearly 5 percent.

Home building has slowed significantly in some of the state's largest metropolitan areas. Residential construction in the Los Angeles metropolitan area during the first four months of 2002 is off nearly 35 percent from the same period in 2001. Likewise, San Francisco and San Jose have slowed by 47 and 24 percent respectively. On the other hand, home building is up in Orange County, Riverside-San Bernardino, and Sacramento metropolitan areas by 32, 14 and 16 percent, respectively.

Nonresidential construction has also been disappointing thus far in 2002. Nonresidential construction, as measured by permit values, dropped 34 percent in March and nearly 16 percent in April from a year earlier. During the first four months of 2002, commercial construction is down over 27 percent from the same months of 2001. The slowdown is being led by dramatic reductions in office building and industrial construction.



REAL ESTATE

Limited Supply Boosts Home Prices

A combination of buoyant consumer confidence and low mortgage interest rates is fueling strong interest in homes. However, this demand is being met with a limited offering of homes for sale, which is propelling home prices upward. California's median single-family home price passed the $300,000 mark for the first time in March.

Despite a weak labor market, the demand for homes, even in the especially hard hit San Francisco Bay Area, has remained strong. Existing single-family home sales in the Bay Area exploded in April, rising by nearly 73 percent from a year ago. Statewide sales rose nearly 30 percent on a year-over-year basis.

The supply of homes offered for sale has not kept pace. According to the California Association of Realtors, there were only enough homes on the market to supply two months of demand in April. A year ago, there was a four-month supply.

Consequently, existing home prices have not only continued upward, but are rising faster than last year. While California's median home price advanced 9.3 percent on average during 2001, it has averaged a 20.4 percent year-over-year rise during the first four months of 2002. In April, the state's median home price reached $321,950—the second consecutive month above the $300,000 mark.

ECONOMIC FORECAST UPDATE

The following forecast is from the May Revision of the Governor's 2002-03 Budget and is based on information available as of April 2002.

The national and California economies began to recover from their 2001 recessions sooner than expected. National economic output soared in the first quarter of 2002, in large part because businesses filled orders by increasing production rather than dipping further into inventories. That will largely be a one-time boost to output, however, and the pace of growth appears to have slowed in the second quarter. Still, manufacturing is expanding in much of the nation after contracting for nearly two years. Consumers remain relatively upbeat and continue to spend. Major stock market indexes continue to slide, however, as corporate profits have yet to meet investors' expectations.

California was quicker than the nation to begin to recover. Job growth resumed in the state in December, while the nation had to wait until April. In both the State and the nation, however, the number of new jobs is not yet keeping up with the number of people joining the labor force, and unemployment has yet to fall. Rising hotel/motel occupancy rates indicate that tourism in much of the state is recovering from the devastating blows of the September 11th terrorist attacks. In addition, manufacturing is expanding in the California regions where that sector is surveyed. While Southern California continues to fare better economically than the San Francisco Bay Area, there are signs that the Silicon Valley's economic downturn is at or near bottom. Both the California and national economies should accelerate in the second half of the year and into 2003.

THE NATION

The first national recession of the new millennium will likely go on record as one of the mildest in the post-World War II period. Inflation-adjusted gross domestic output (GDP) fell in only one quarter—the third quarter of 2001. Output rebounded in the fourth quarter at a 1.7 percent annual rate before surging almost 6 percent in the first quarter of 2002. No official decision has been made yet on the end of the recession, but a late-2001/early-2002 date is likely.

Private businesses reduced inventories at an annual rate of $36.2 billion in the first quarter, following a record decrease of $119.3 billion in the fourth quarter of 2001. That slowing of inventory paring contributed $83 billion, or more than 60 percent, of the overall gain of $134 billion in inflation-adjusted GDP in the first quarter. Inventory adjustments like this are common near the end of recessions, as businesses try to align their inventories with lower sales levels. The adjustments become smaller as they near the desired levels. That appears to be happening in the current quarter. Further growth in output depends on increases in consumer spending, business fixed investment, government spending, and net exports.

Both consumer and government spending increased in the first quarter. Consumption grew by a healthy 3.5 percent. While not as large as the increase in the fourth quarter of last year, when consumers took advantage of generous buyer incentives on purchases of new autos, the most recent results demonstrate that consumer spending continues to underpin the economy. Government spending grew even more rapidly, 7.9 percent. Over half of that increase was for national defense.

Business fixed investment and net exports, on the other hand, pulled down economic growth in the first quarter. Business fixed investment was down only slightly with a decline in nonresidential construction largely offsetting an increase in home building. Investment in equipment and software was off only slightly. The decline in nonresidential construction was not surprising given the run-up in office and industrial vacancy rates in 2001. Home sales and residential construction were boosted by lower mortgage rates.

Net exports (exports minus imports) fell quite sharply in the first quarter, as imports grew more quickly than exports. The U.S. economy improved more than the economies of most of our major trading partners, resulting in a bigger boost in American demand for imported goods and services than in foreign demand for American-made goods and services.

Monthly statistics since the beginning of 2002 reflect the strong growth in the first quarter and more modest growth in the second quarter. Particularly encouraging, the Institute for Supply Management's survey of national manufacturing showed that manufacturing expanded for the third month in a row in April after contracting the prior 18 months. April's index was down slightly from the March reading, suggesting some slowing of growth. Also, the University of Michigan's Consumer Sentiment Index has trended upward in the last seven months despite dropping twice in the last three months. The Middle East conflict, rising gasoline prices, and sluggish job markets have led consumers to conclude that prospects six months down the road look better than current conditions.

Consumers are more concerned about job prospects, however. Employers have been cautious about hiring new employees. Not yet convinced about the strength and sustainability of the recovery, employers have opted toward increasing the hours of their existing workforce. Over 40,000 nonfarm payroll jobs were added in April, but that was the first significant gain since May 2001. National unemployment stayed within a 5.4 percent to 5.8 percent range for six months before jumping to 6 percent in April.

Job gains should pick up in the second half of 2002. A considerable amount of fiscal stimulus is being added to the economy. The cut in federal tax rates that took effect at the beginning of the year has boosted consumers' disposable income, giving them the means to continue spending. In addition, spending on defense and homeland safety will pick up sharply in the second half of 2002 and in 2003. Moreover, the economy will continue to be buoyed by the considerable monetary policy easing of last year. Construction, however, will not be adding to economic growth until well into 2003. Furthermore, net exports will be a drag on the economy until the economies of the nation's major trading partners pick up. In addition, business spending on new equipment will be spotty until late 2002 or early 2003. But, on balance, growth of the national economy is expected to pick up in the second half of 2002 and further in 2003.

CALIFORNIA

California got a jump on the nation in beginning to recover from recession. Jobs in the state began to pick up in December 2001—four months before they started to come back in the nation. From November 2001 to April 2002, the state gained 22,500 jobs while the nation lost 197,000. As in the nation, job growth in California did not keep up with the number of people coming into the labor force, and unemployment edged up. Still, the transition from consistent monthly job losses to small gains and losses is a major milestone in the recovery process. Significant swings from monthly job losses to monthly job gains have occurred in nondurable goods manufacturing, wholesale and retail trade, engineering and management consulting, construction, and hotels and other lodging. In addition, job losses have slowed considerably in business services and durable goods manufacturing. Sharp declines in job losses in electronic equipment and industrial machinery manufacturing are particularly encouraging for the prospects of the state's high-tech sector.

Good news about the state's manufacturing sector is coming from other sources as well. Recent surveys indicate that manufacturing is expanding in two of the state's largest manufacturing centers. A quarterly survey conducted by researchers at Chapman University in Orange County showed that the county's manufacturing sector recovered strongly in the first quarter of 2002, with both production and new orders increasing substantially. Similar results were found for the Inland Empire manufacturing sector in a monthly survey conducted by researchers at California State University, San Bernardino. Manufacturing in the combined Riverside County-San Bernardino County metro area has expanded for four consecutive months. In both Orange County and the Inland Empire, the timing of the recovery of local manufacturing coincided with the recovery of manufacturing nationally.

The health of the state's tourism industry has improved in recent months but is not back to where it was before the September 11th terrorist attacks. In addition to stabilizing industry employment, hotel/motel occupancy rates in major state metropolitan areas have picked up in recent months, reflecting increased travel. A sizable increase in the San Jose metropolitan area in February was particularly encouraging. Average room rates are down, however, hurting lodging industry profitability.

Low mortgage rates, a disappointing stock market, and perhaps the fear of being left behind have heated up California residential real estate markets. Home sales surged in the first quarter of 2002, with existing home sales up 18 percent from a year earlier. San Francisco Bay Area sales were up 29 percent in March from a year ago. Home prices continue to soar: the median price of existing homes sold in the state exceeded $300,000 for the first time in March.

THE FORECAST

The state's economic recovery will pick up as the year unfolds, but job growth will likely be modest for the next few months as employers gauge the strength and sustainability of the recovery. By the fourth quarter of 2002, jobs will be up about 1 percent from a year earlier and growing at an annualized rate of about 2.5 percent on a quarter-to-quarter basis. The economy will go into 2003 with good momentum, and job growth from the fourth quarter of 2002 to the fourth quarter of 2003 will be 2.7 percent. The unemployment rate—a lagging indicator—will likely remain above 6 percent for the rest of 2002 before trending downward in 2003.

Personal income will grow by 3 percent during 2002 and 6.2 percent during 2003, and will track employment more closely than in the last two years. Employee stock option and bonus income fell sharply from an estimated $78 billion in 2000 to $44 billion in 2001. It is projected to fall again in 2002, to $31 billion, before increasing in 2003 to $36 billion. The drop in 2002, reflecting an assumption of only modest gains in the stock market, will reduce personal income growth in 2002. However, the effect on personal income growth will be considerably less than what occurred in 2001, when employee stock option and bonus income fell by $34 billion.

Construction will not be a source of growth in 2002. Residential construction will be up modestly, at best. Demand for affordable housing is high, but supply is significantly constrained. Nonresidential construction will fall in light of jumps in office and industrial vacancy rates and declines in rent that have occurred in the last year and a half in much of the state. The San Francisco and San Jose metropolitan areas, in particular, have seen office vacancy rates soar with the failure of many dot-com companies and the slowdown in the high-tech sector. But there are also pockets of high office vacancy in Southern California—Orange County, for example. Nonresidential construction will bounce back in 2003.

FIGURE FIVE

Selected U.S. Economic Indicators

		Forecast	
	2001	2002	2003
Real gross domestic product, (1996 dollar) (Percent change)	1.2	2.1	3.6
Personal consumption expenditures	3.1	3.3	3.2
Gross private domestic investment	(8.0)	1.5	7.3
Government purchases of goods and services	3.6	3.8	2.7
GDP deflator (1996=100) (Percent change)	2.2	1.7	2.4
GDP, (Current dollar) (Percent change)	3.4	3.8	6.1
Federal funds rate (Percent)	3.92	2.04	4.00
Personal income (Percent change)	4.9	3.3	5.6
Corporate profits before taxes (Percent change)	(17.4)	(7.7)	7.6
Nonfarm wage and salary employment (Millions)	132.2	131.5	133.5
(Percent change)	0.4	(0.5)	1.4
Unemployment rate (Percent)	4.8	5.7	5.7
Housing starts (Millions)	1.61	1.58	1.56
(Percent change)	2.1	(1.6)	(1.3)
New car and light truck sales (Millions)	17.1	16.0	16.7
(Percent change)	(1.4)	(6.5)	4.3
Consumer price index (1982-84=100)	177.1	180.6	185.5
(Percent change)	2.8	2.0	2.7

Forecast based on data available as of April 2002.
Percent changes calculated from unrounded data.

FIGURE SIX

Selected California Economic Indicators

			Forecast			
	2001	Percent Change	2002	Percent Change	2003	Percent Change
Personal income ($ billions)	$1,099.54	-0.5%	$1,158.4	5.4%	$1,229.7	6.2%
Nonfarm W&S employment (thousands)	14,487	-1.1%	14,628	1.0%	15,022	2.7%
Mining	25	3.2%	24	-2.3%	23	-4.2%
Construction	751	1.3%	733	-2.4%	761	3.8%
Manufacturing	1,812	-7.7%	1,815	0.2%	1,870	3.0%
High technology	478	-9.6%	474	-0.8%	493	4.0%
Transportation/utilities	723	-3.6%	722	-0.1%	755	4.6%
Whlse & retail trade	3,307	-0.5%	3,361	1.6%	3,461	3.0%
Finance group	846	2.3%	866	2.4%	894	3.2%
Services	4,607	-1.6%	4,692	1.8%	4,822	2.8%
Government	2,417	3.6%	2,415	-0.1%	2,436	0.9%
Unemployment rate	6.0%		6.4%		5.7%	
Housing permits (thousands of units, annual rate)	149	-0.2%	153	2.7%	148	-3.1%
Consumer price index (Dec-Dec)	181.8	2.5%	187.4	3.1%	191.9	2.4%

Forecast based on data available as of April 2002.
Data are for the 4th quarter, except where otherwise noted.
Percent changes are 4th quarter to 4th quarter.

SELECT INDICATORS

EMPLOYMENT

	2002 May	2002 Apr	2002 Mar	2002 Feb	2001 May	Yr-Over-Yr % Change
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	16,433	16,460	16,439	16,523	16,433	0.0
Unemployment (000)	1,096	1,153	1,143	1,094	877	24.9
Unemployment rate	6.3	6.5	6.5	6.2	5.1	--
Nonagricultural wage and salary employment (000)	14,658.7	14,667.7	14,672.0	14,664.6	14,709.7	-0.3
Mining	23.5	23.5	23.7	24.0	24.0	-2.1
Construction	754.7	764.3	770.2	770.9	771.1	-2.1
Manufacturing	1,825.8	1,830.8	1,837.5	1,839.5	1,920.9	-5.0
Durable	1,133.1	1,136.6	1,139.6	1,142.8	1,212.9	-6.6
High technology a/	472.6	474.5	476.8	479.1	516.7	-8.5
Computer and office equipment	87.7	87.4	87.9	88.2	95.8	-8.5
Communications equipment	41.9	42.0	42.0	42.1	45.1	-7.1
Electronic components	143.2	144.3	145.2	146.5	164.1	-12.7
Aircraft and parts	65.8	66.1	67.0	67.8	71.6	-8.1
Missiles, spacecraft, and parts	19.0	19.1	19.3	19.3	20.8	-8.7
Search and navigation equipment	47.8	48.2	47.6	47.9	48.1	-0.6
Measuring and controlling devices	67.2	67.4	67.8	67.3	71.2	-5.6
Nondurable	692.7	694.2	697.9	696.7	708.0	-2.2
Transportation and public utilities	723.2	724.2	724.7	731.3	757.1	-4.5
Trade	3,361.2	3,363.0	3,356.6	3,352.6	3,334.0	0.8
Wholesale	811.2	812.1	809.7	808.5	813.4	-0.3
Retail	2,550.0	2,550.9	2,546.9	2,544.1	2,520.6	1.2
Finance, insurance, and real estate	845.7	846.9	846.1	848.5	840.4	0.6
Services e/	4,682.2	4,675.0	4,677.7	4,668.2	4,690.5	-0.2
Business services	1,260.5	1,258.7	1,258.5	1,263.3	1,315.5	-4.2
Motion pictures	169.7	172.5	173.3	162.6	193.4	-12.3
Amusement and recreation services	221.9	221.8	222.8	224.4	219.9	0.9
Engineering and management consulting	513.4	513.2	513.6	516.2	501.4	2.4
Government	2,442.4	2,440.0	2,435.5	2,429.6	2,371.7	3.0
Federal	254.7	254.3	254.3	254.8	255.2	-0.2
State and local	2,187.7	2,185.7	2,181.2	2,174.8	2,116.5	3.4

HOURS & EARNINGS

	2002 May	2002 Apr	2002 Mar	2002 Feb	2001 May	Yr-Over-Yr % Change
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	40.8	40.8	41.1	40.7	40.8	0.0
Average weekly earnings	$611.59	$609.96	$612.80	$608.06	$596.90	2.5
Average hourly earnings	$14.99	$14.95	$14.91	$14.94	$14.63	2.5

CONSUMER PRICES

	2002 May	2002 Apr	2002 Mar	2002 Feb	2001 May	Yr-Over-Yr % Change
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	n.a.	186.1	n.a.	184.1	n.a.	--
San Francisco CMSA	n.a.	193.0	n.a.	191.3	n.a.	--
Los Angeles CMSA	182.6	182.2	181.1	180.1	177.5	2.9
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	178.9	n.a.	176.9	n.a.	--
San Francisco CMSA	n.a.	188.8	n.a.	186.8	n.a.	--
Los Angeles CMSA	175.4	174.8	173.8	172.8	170.5	2.9

CONSTRUCTION

	2002 Apr	2002 Mar	2002 Feb	2002 Jan	2001 Apr	Yr-Over-Yr % Change
CONSTRUCTION						
Private residential housing units authorized (000) b/	162.7	154.2	186.2	152.3	161.4	0.8
Single units	119.4	126.7	133.0	114.2	115.5	3.4
Multiple units	43.3	27.5	53.2	38.1	45.9	-5.6
Residential building authorized valuation (millions) c/	$2,791	$2,371	$2,905	$2,689	$2,554	9.3
Nonresidential building authorized valuation (millions) c/	$1,262	$964	$1,383	$1,139	$1,499	-15.8
Nonresidential building authorized valuation (millions) d/	$1,177	$1,010	$1,152	$1,022	$1,408	-16.4
Commercial	394	327	433	329	518	-23.8
Industrial	93	78	76	88	106	-12.0
Other	228	183	216	169	187	22.1
Alterations and additions	462	422	427	436	598	-22.9

AUTO SALES

	2002 May	2002 Apr	2002 Mar	2002 Feb	2001 May	Yr-Over-Yr % Change
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	n.a.	134,788	134,695	160,032	141,290	--

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
b/ Seasonally adjusted at annual rate
c/ Seasonally adjusted
d/ Not seasonally adjusted
e/ Only select industry components are shown therefore will not add to total.
n.a. Not available

SELECT INDICATORS (CONTINUED)

VACANCY RATES

VACANCY RATES FOR FIRST QUARTER 2002
(Percent)

	Office			Industrial
	Downtown	Suburban	Total	
Northern and Central California:				
Oakland-East Bay	11.4	12.4	12.2	--
Sacramento	5.0	9.9	8.8	14.4
San Francisco	15.6	23.9	18.1	11.1
San Jose	11.5	16.7	15.6	--
Southern California:				
Los Angeles Metro	15.4	12.7	13.1	10.8
Orange County	--	17.3	17.3	--
San Diego	7.7	11.0	10.3	6.7
Ventura County	--	12.5	12.5	--
National Average	11.7	15.6	14.2	10.8

MEDIAN PRICES

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

2001				2002		
Jan	$244,110	Jul	267,280	Jan	$289,520	Jul
Feb	241,690	Aug	277,430	Feb	298,310	Aug
Mar	257,550	Sep	274,680	Mar	305,970	Sep
Apr	255,310	Oct	272,320	Apr		Oct
May	253,930	Nov	274,680	May		Nov
Jun	267,050	Dec	285,110	Jun		Dec

LEADING INDICATORS/A

		Manufacturing Overtime Hours	Manufacturing Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1997	Jan	4.7	41.5	67,377	4,713	90.5
	Feb	4.8	41.8	55,952	4,355	122.6
	Mar	5.1	42.2	58,551	3,579	98.7
	Apr	5.0	42.0	59,557	3,957	102.4
	May	4.9	41.8	59,293	4,479	108.2
	Jun	4.9	41.7	63,334	4,367	108.4
	Jul	4.9	41.7	61,910	4,744	112.3
	Aug	5.1	42.0	63,234	4,206	114.3
	Sep	5.0	42.0	64,061	4,763	121.2
	Oct	5.0	42.0	61,392	4,738	127.9
	Nov	5.0	42.2	58,151	4,421	117.1
	Dec	5.1	42.2	58,804	4,823	108.8
1998	Jan	5.1	42.1	57,555	4,711	105.8
	Feb	5.0	41.9	59,896	4,575	111.7
	Mar	4.9	41.9	58,500	4,613	128.8
	Apr	4.5	41.2	57,552	5,084	116.6
	May	4.7	41.8	58,844	4,502	121.6
	Jun	4.8	41.9	54,072	4,705	142.9
	Jul	4.7	41.9	54,244	4,837	117.5
	Aug	4.6	41.7	52,766	4,378	137.2
	Sep	4.5	41.4	50,869	3,745	125.9
	Oct	4.7	41.8	52,740	4,711	137.2
	Nov	4.6	41.7	54,399	4,728	139.9
	Dec	4.6	41.8	53,932	4,602	126.8
1999	Jan	4.6	42.2	53,407	4,930	140.7
	Feb	4.7	41.9	52,466	5,096	137.6
	Mar	4.7	42.0	52,826	6,033	134.6
	Apr	4.7	42.0	52,809	5,080	140.3
	May	4.8	42.0	50,231	5,292	141.4
	Jun	4.7	41.9	51,380	5,506	145.3
	Jul	4.5	41.7	51,205	5,303	148.3
	Aug	4.6	41.5	51,077	5,864	136.8
	Sep	4.5	41.3	50,513	5,848	133.4
	Oct	4.8	41.6	49,289	5,686	134.5
	Nov	4.8	41.5	51,158	5,987	142.6
	Dec	4.8	41.5	45,004	6,477	142.0
2000	Jan	4.9	41.5	52,060	6,500	154.1
	Feb	4.9	41.3	49,021	6,867	157.7
	Mar	4.8	41.4	47,039	8,319	153.0
	Apr	5.3	42.0	45,280	7,552	137.6
	May	5.0	41.6	47,659	6,699	132.6
	Jun	5.0	41.7	49,108	7,191	179.4
	Jul	5.1	41.7	48,486	7,205	133.5
	Aug	5.0	41.7	47,928	7,190	143.3
	Sep	5.0	42.0	48,084	7,133	141.9
	Oct	5.1	41.8	49,364	7,360	142.4
	Nov	4.8	41.6	47,796	7,561	150.1
	Dec	4.7	41.5	52,366	6,256	165.4
2001	Jan	4.4	41.0	49,371	7,472	185.4
	Feb	4.5	41.2	49,269	6,340	151.9
	Mar	4.5	41.1	52,879	6,466	154.4
	Apr	4.0	40.6	54,543	6,250	161.4
	May	4.3	41.0	55,805	6,956	155.3
	Jun	4.3	40.9	54,571	6,236	131.6
	Jul	4.3	41.1	56,673	6,359	130.8
	Aug	4.4	41.4	57,703	7,522	142.6
	Sep	4.3	41.3	60,803	6,070	118.2
	Oct	4.0	40.7	65,267	7,301	143.5
	Nov	3.9	40.6	55,652	7,545	140.3
	Dec	3.9	40.8	47,270	6,676	176.9
2002	Jan	3.9	40.5	70,848	7,150	152.3
	Feb	4.2	41.1	52,656	6,747	186.2
	Mar	4.4	41.2	59,397	7,199	154.2
	Apr	4.4	41.3	66,601	7,344	162.7
	May	4.4	41.0	n.a.	8,933	n.a.

a/ Seasonally adjusted by the California Department of Finance.
n.a. Not available

COINCIDENT INDICATORS/a

Employment, Unemployment

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1998	Jan	13,407	1,951	6.1	335
	Feb	13,423	1,954	6.1	363
	Mar	13,445	1,956	6.0	365
	Apr	13,486	1,958	6.0	367
	May	13,539	1,964	6.0	355
	Jun	13,584	1,962	5.9	353
	Jul	13,602	1,955	5.9	352
	Aug	13,662	1,954	5.9	358
	Sep	13,709	1,953	5.9	355
	Oct	13,726	1,944	5.8	337
	Nov	13,770	1,936	5.8	354
	Dec	13,788	1,928	5.8	367
1999	Jan	13,783	1,921	5.6	353
	Feb	13,821	1,919	5.6	367
	Mar	13,841	1,920	5.5	372
	Apr	13,901	1,921	5.4	363
	May	13,929	1,920	5.3	374
	Jun	13,961	1,921	5.2	375
	Jul	14,014	1,925	5.1	352
	Aug	14,043	1,923	5.0	357
	Sep	14,064	1,927	5.0	365
	Oct	14,137	1,931	4.9	349
	Nov	14,174	1,929	4.9	347
	Dec	14,196	1,926	5.0	339
2000	Jan	14,249	1,928	5.0	354
	Feb	14,300	1,929	5.0	345
	Mar	14,342	1,932	5.1	348
	Apr	14,391	1,939	5.0	336
	May	14,460	1,944	5.1	328
	Jun	14,498	1,952	5.1	331
	Jul	14,524	1,951	5.1	337
	Aug	14,559	1,954	5.0	341
	Sep	14,587	1,957	4.9	315
	Oct	14,603	1,959	4.8	339
	Nov	14,631	1,963	4.8	347
	Dec	14,683	1,969	4.7	315
2001	Jan	14,729	1,971	4.7	347
	Feb	14,718	1,964	4.7	353
	Mar	14,719	1,957	4.8	353
	Apr	14,721	1,934	5.0	385
	May	14,710	1,921	5.1	419
	Jun	14,689	1,904	5.2	420
	Jul	14,702	1,897	5.3	457
	Aug	14,721	1,884	5.5	482
	Sep	14,701	1,873	5.7	481
	Oct	14,689	1,859	5.9	551
	Nov	14,644	1,848	6.1	517
	Dec	14,656	1,843	6.1	503
2002	Jan	14,672	1,843	6.4	501
	Feb	14,665	1,840	6.2	533
	Mar	14,672	1,838	6.5	504
	Apr	14,668	1,831	6.5	538
	May	14,659	1,826	6.3	n.a.

Income, Wages, Taxable Sales

		Personal Income ($ millions)	Wages & Salaries from Mining, Construction and Manufacturing ($ millions)	Taxable Sales ($ millions)
1997	Qtr I	839,517	100,201	82,866
	Qtr II	851,775	102,010	84,167
	Qtr III	868,055	104,133	85,968
	Qtr IV	886,882	105,734	87,444
1998	Qtr I	905,328	107,999	87,246
	Qtr II	922,090	110,973	89,126
	Qtr III	936,414	112,450	90,733
	Qtr IV	962,676	118,293	91,120
1999	Qtr I	958,792	116,556	93,739
	Qtr II	983,196	120,572	97,146
	Qtr III	1,006,295	126,985	99,747
	Qtr IV	1,040,889	132,447	103,096
2000	Qtr I	1,076,665	146,164	107,393
	Qtr II	1,081,713	140,108	109,940
	Qtr III	1,115,129	151,037	111,702
	Qtr IV	1,105,572	141,624	112,045
2001	Qtr I	1,139,123	139,955	111,989
	Qtr II	1,120,314	136,924	111,275
	Qtr III	1,107,434	129,361	106,769
	Qtr IV	1,099,537	128,267	106,298
2002	Qtr I	n.a.	n.a.	n.a.

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.
n.a. Not available

OTHER INDICATORS

DOD Prime Contracts a/

	$ millions	% of U.S.		$ millions	% of U.S.
1981-82	22,685	21.8	1991-92	23,843	21.2
1982-83	26,387	22.2	1992-93	22,952	20.1
1983-84	28,520	23.0	1993-94	22,573	20.5
1984-85	29,115	20.8	1994-95	18,277	16.8
1985-86	27,738	20.4	1995-96	18,230	16.7
1986-87	24,515	18.4	1996-97	18,477	17.3
1987-88	23,458	18.7	1997-98	17,401	15.9
1988-89	23,125	19.3	1998-99	17,372	15.1
1989-90	22,312	18.4	1999-00	18,100	14.7
1990-91	24,265	19.5	2000-01	19,939	13.6

a/ U.S. fiscal year: October through September

Foreign Trade through California Ports

	$ millions		$ millions
2001		2002	
Jan	31,457	Jan	24,205
Feb	27,796	Feb	24,197
Mar	31,866	Mar	26,263
Apr	28,116	Apr	
May	27,833	May	
Jun	28,995	Jun	
Jul	28,097	Jul	
Aug	28,565	Aug	
Sep	27,219	Sep	
Oct	29,570	Oct	
Nov	26,499	Nov	
Dec	25,184	Dec	

TECHNICAL NOTE

Economic Indicator Charts

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

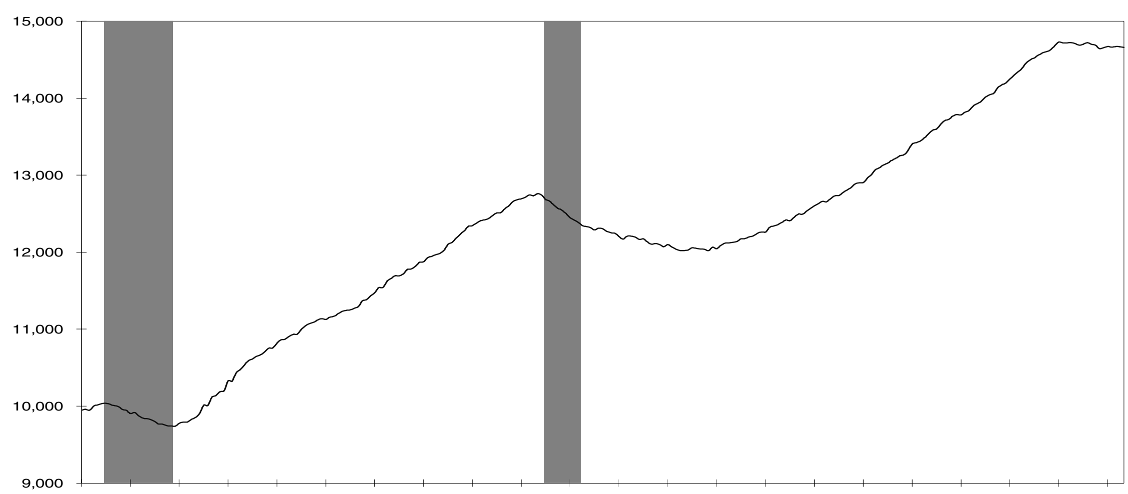
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

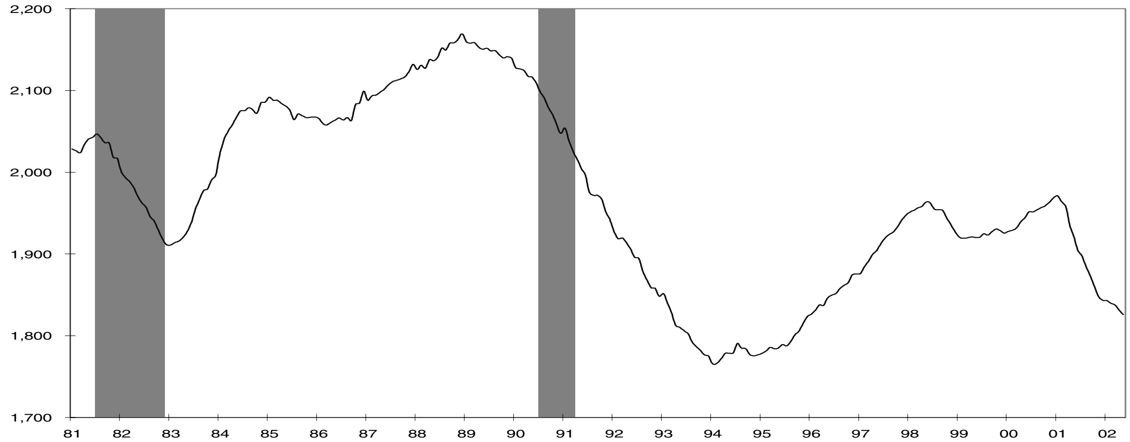
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

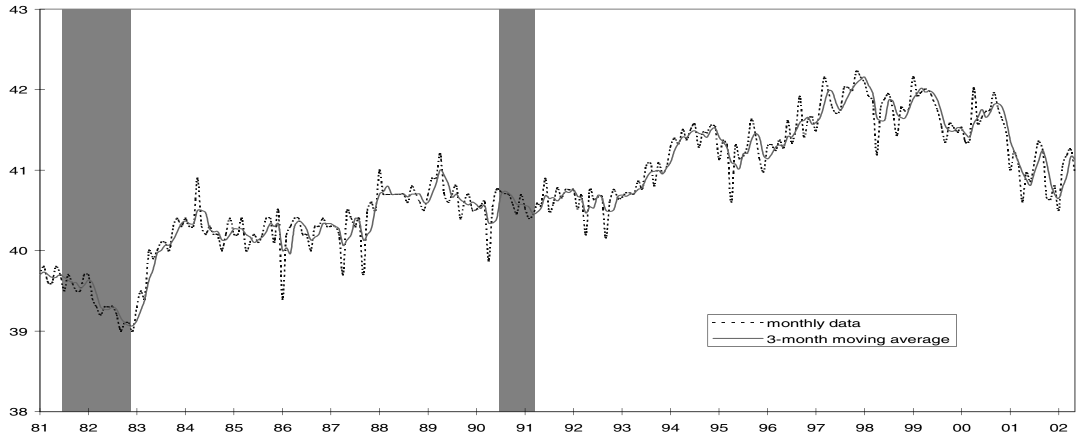
Nonagricultural Employment
(Thousands, Seasonally Adjusted)



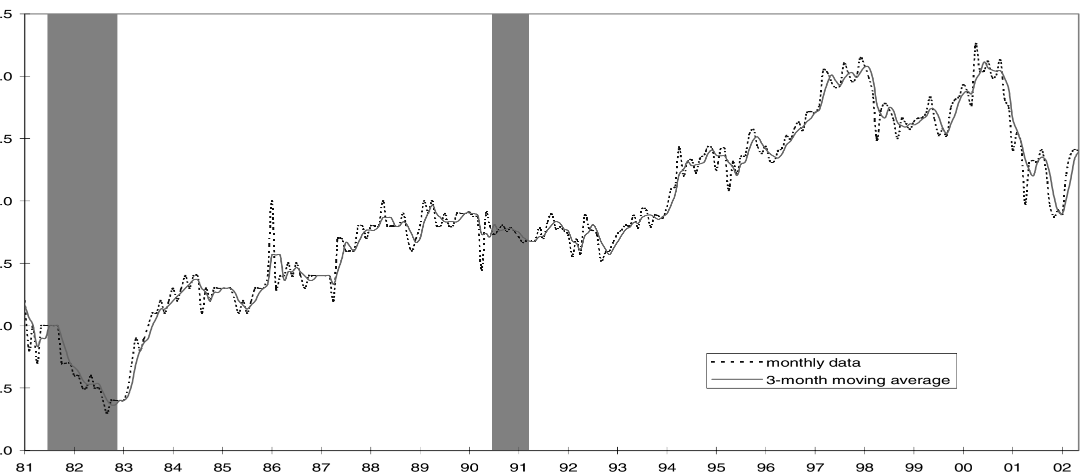
Manufacturing Employment
(Thousands, Seasonally Adjusted)



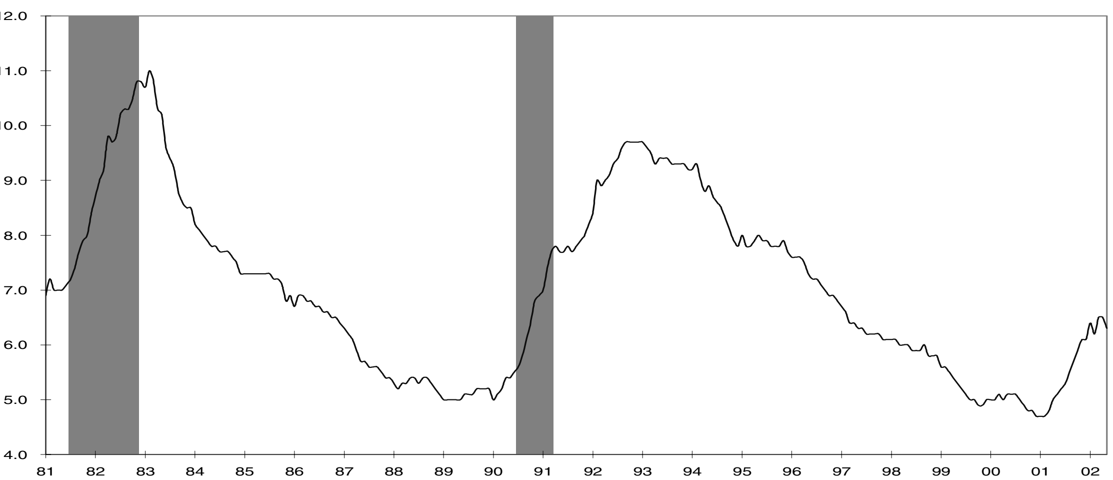
Average Weekly Hours, Manufacturing
(Seasonally Adjusted)



Average Overtime Hours, Manufacturing
(Seasonally Adjusted)

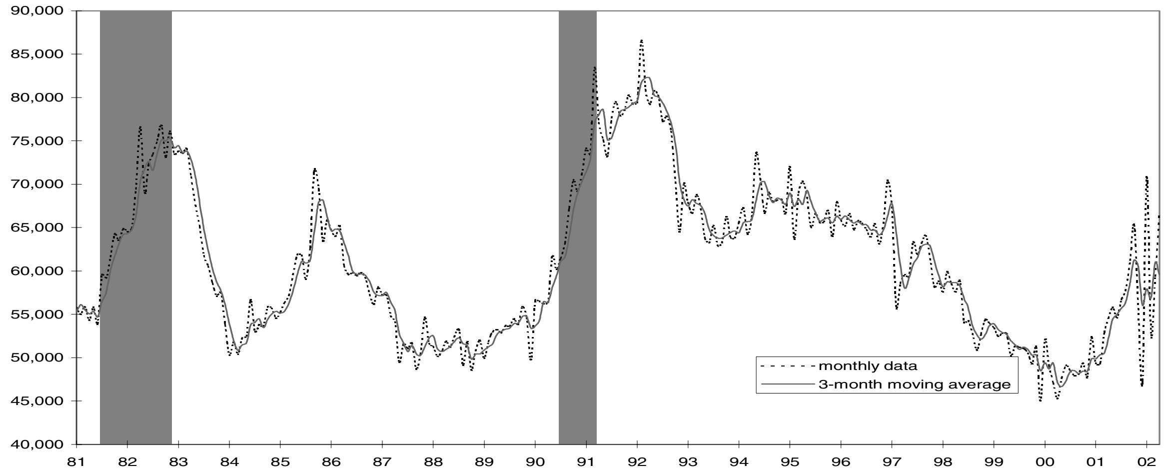


Unemployment Rate
(Percent)



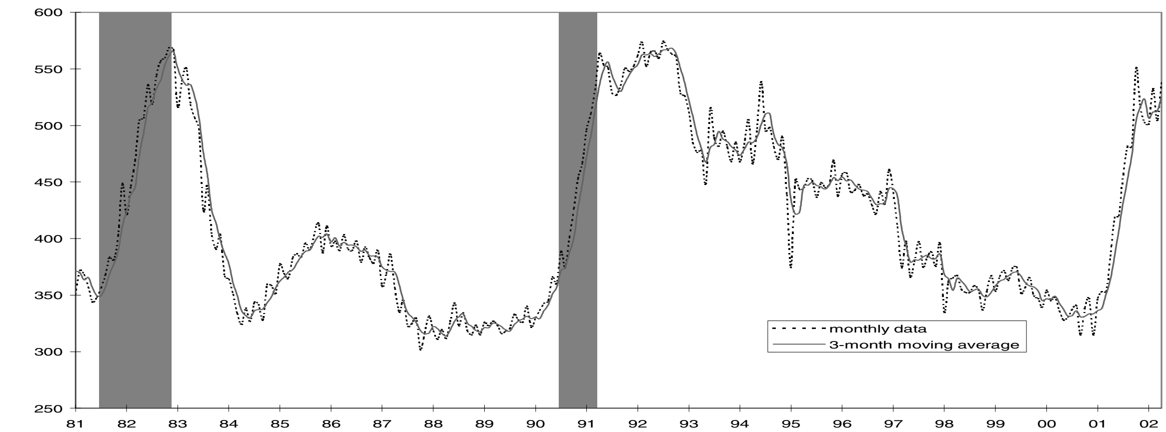
Initial & Transitional Claims for Unemployment Insurance

(Weekly Average, Seasonally Adjusted)



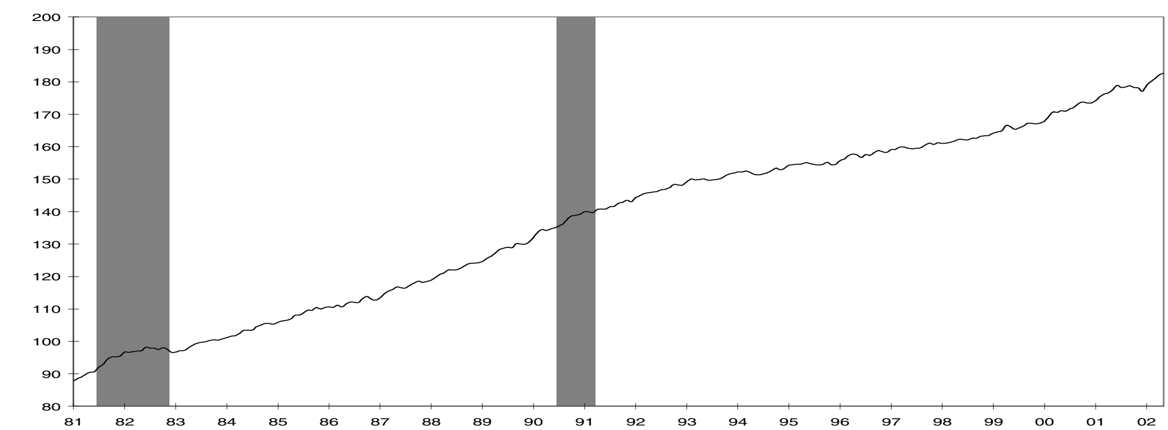
Unemployment, Average Weeks Claimed

(Thousands, Seasonally Adjusted)



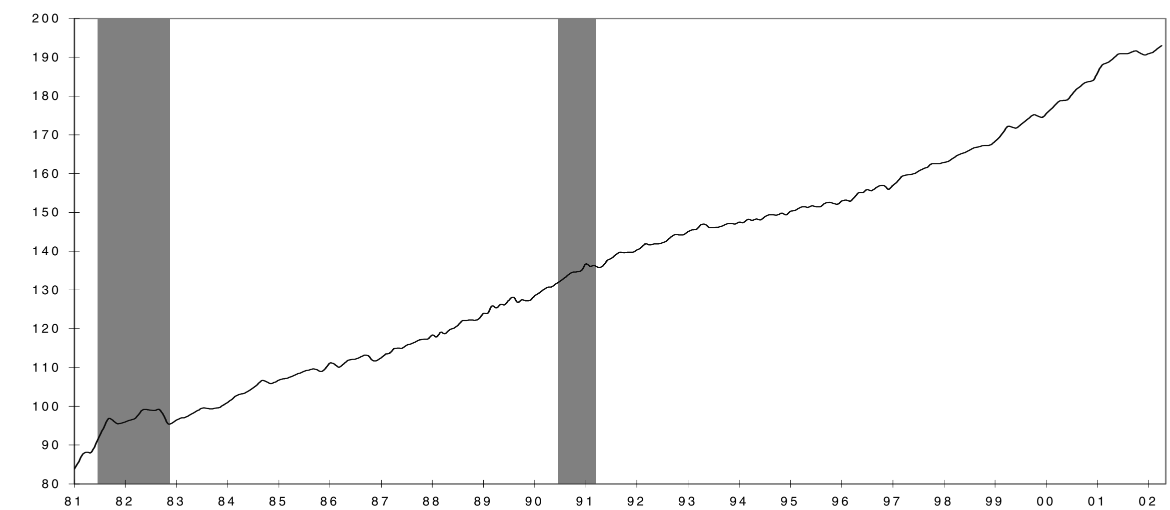
Consumer Price Index, Los Angeles

(1982-84=100)

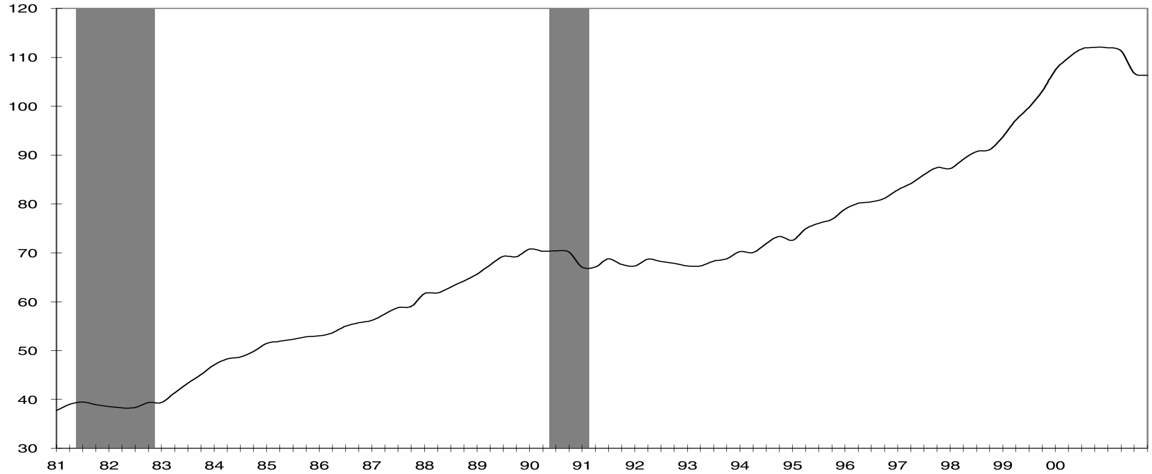


Consumer Price Index, San Francisco

(1982-84=100)

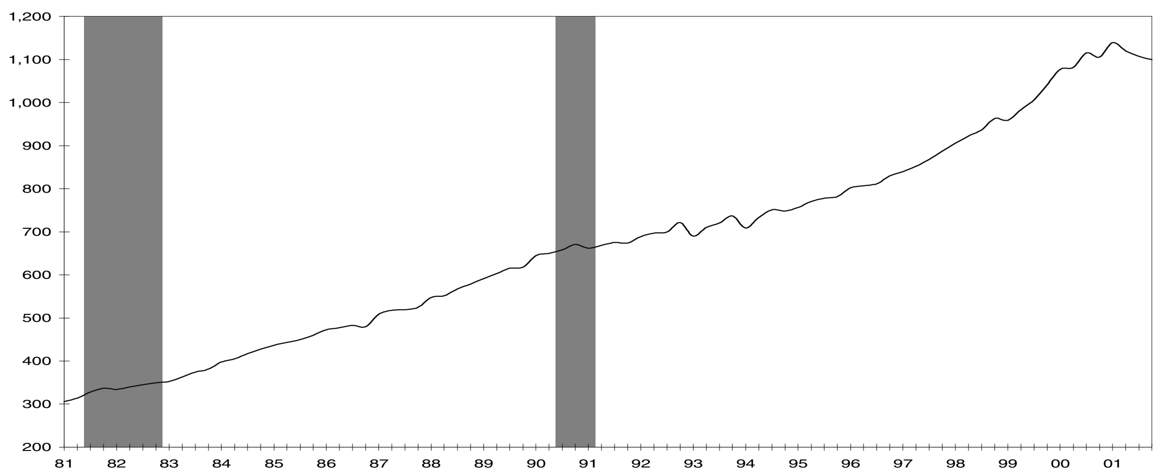


Taxable Sales
(Dollars in Billions, Seasonally Adjusted)

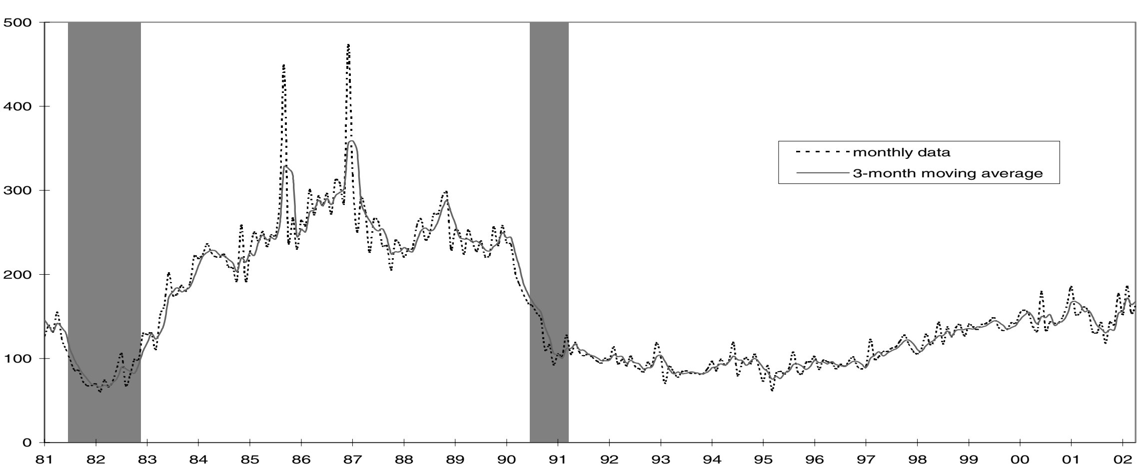


Wages and Salaries in Mining, Construction and Manufacturing
(Dollars in Billions, Seasonally Adjusted)

Personal Income
(Dollars in Billions, Seasonally Adjusted)

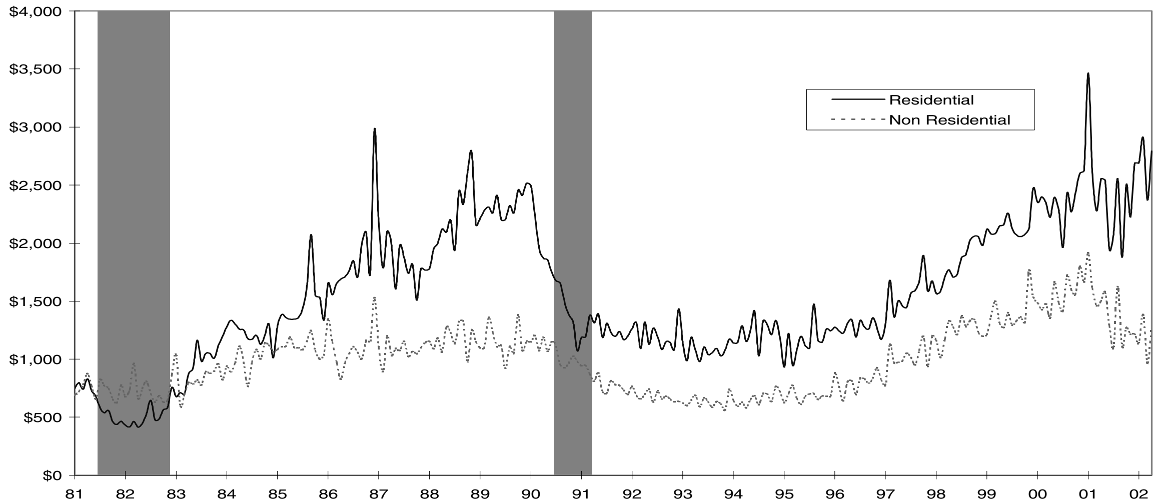


New Housing Units Authorized By Building Permits
(Thousands, Seasonally Adjusted at Annual Rate)



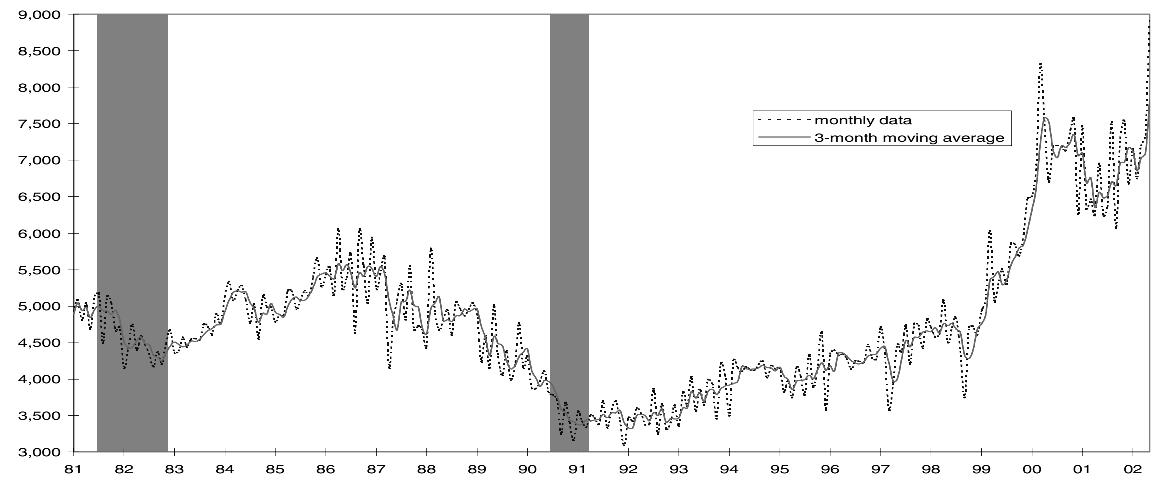
Residential & Nonresidential Building Permit Valuation

(Dollars in Millions, Seasonally Adjusted)



New Business Incorporations

(Seasonally Adjusted)



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: **http://www.dof.ca.gov/**

2000

July 28 GDP 2nd quarter grew at an annual rate of 5.2 percent.

August - World oil prices are rising because of increasingly tight supplies. U.S. inventories are at their lowest level since 1976 and crude prices have increased significantly contributing to costlier gasoline and heating oil.

September 19 China was granted permanent normal trade relations status with the U.S.

September 28 GDP growth rate for 2nd quarter was revised to 5.6 percent.

October 18 Social Security and Supplemental Security income payments will increase by 3.5 percent in 2001, the biggest in almost a decade.

October 31 OPEC plans to increase oil production by 500,000 barrels per day making it the fourth increase this year.

December 21 GDP for 3rd quarter grew at an annual rate of 2.2 percent.

2001

January 1	California's minimum wage raised from $5.75 to $6.25.
January 1	The California state rate portion of the total 7.25% sales tax rate was reduced by .25%, to a total tax rate of 7.00%.
January 3	Federal funds rate reduced to 6.0 percent from 6.5 percent. Discount rate reduced to 5.5 percent from 6.0 percent.
January 17	OPEC to cut oil production by 1.5 million barrels a day, or 5.6 percent of current output.
January 31	Federal funds rate reduced from 6.0 percent to 5.5 percent. Discount rate reduced from 5.5 percent to 5.0 percent.
March 19	OPEC to cut oil production by 1 million barrels a day.
March 19-20	California suffered rolling blackouts.
March 20	Federal funds rate reduced from 5.5 percent to 5.0 percent. Discount rate reduced from 5.0 percent to 4.5 percent.
March 27	California regulators approved retail electric rate increase.
March 29	GDP grew at an annual rate of 1 percent in the fourth quarter, the lowest in more than 5 years.
April 6	PG&E utility unit files for bankruptcy.
April 18	Federal funds rate reduced from 5.0 percent to 4.5 percent. Discount rate reduced from 4.5 percent to 4.0 percent.
April 23	A Tosco refinery explosion pushed gasoline prices to near record highs.
April 24	Standard & Poors lowered California's bond rating from AA to A+
April 27	GDP grew at an annual rate of 2 percent in the first quarter.
May 7-8	California hit by rolling blackouts.
May 15	Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent.
June 7	Federal tax cut was signed into law.
June 18	The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce spikes in wholesale electricity prices in California and other Western states.
June 27	Federal funds rate reduced from 4.00 percent to 3.75 percent. Discount rate reduced from 3.50 percent to 3.25 percent.
June 29	First quarter GDP growth rate revised to 1.2 percent.
August 21	Federal funds rate reduced from 3.75 percent to 3.50 percent. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate.Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate.
September 11	Terrorists attack World Trade Center and the Pentagon.
September 11-14	U.S. stock trading halts.
September 17	Federal funds rate reduced from 3.50 percent to 3.00 percent. Discount rate reduced from 3.00 percent to 2.50 percent.
October 2	Federal funds rate reduced from 3.00 percent to 2.50 percent. Discount rate reduced from 2.50 percent to 2.00 percent.
October 26	Lockheed Martin Corporation awarded defense contract.

RETURN ADDRESS

California Department of Finance

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TO

November 6	Federal funds rate reduced from 2.50 percent to 2.00 percent. Discount rate reduced from 2.00 percent to 1.50 percent.
November 26	Recession in the US began in March 2001, according to NBER.
December 2	Enron filed for bankruptcy protection.
December 11	Federal funds rate reduced from 2.00 percent to 1.75 percent. Discount rate reduced from 1.50 percent to 1.25 percent. China becomes WTO member.
December 21	GDP down 1.3 percent in Q3.

2002

January 1	Taiwan becomes WTO member. OPEC to cut oil production by 6.5 percent. Euro becomes legal tender in 12 European countries.
January 6	Unemployment insurance benefits increased in California.
February 28	GDP up 1.4 percent in Q4.
March 9	California's "Job Creation and Worker Assistance Act of 2002" was signed into law that provides for temporary extended unemployment compensation.
March 28	GDP up 1.7 percent in Q4.
May 13	President Bush signed a 10-year, $190 billion farm bill that promises to expand subsidies to growers.
June 27	GDP up 6.1 percent in Q1.

SUBSCRIPTIONS

Beginning Issue	Amount Due
Jan/Feb	$8.00
Mar/Apr	6.75
May/June	5.40
July/Aug	4.05
Sept/Oct	2.70
Nov/Dec	1.35

Mail subscription request and prepayment (no billing available) to:
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